



Topic: **Joint Reservoir Committee/Authority Board
Agenda Item 2.2**

2021 June 23

Subject: **WIFIA Letter of Intent**

Requested Action:

Consider approval to submit a Water Infrastructure Finance and Innovation Act (WIFIA) Letter of Intent (LOI).

Detailed Description/Background:

The EPA recently opened the 2021 solicitation period to accept LOIs up to July 23, 2021 for the current round of WIFIA financing, which has \$5.5 Billion available under this application cycle for the entire country. 2019 Value Planning affordability analysis determined a large loan was beneficial to project economics. A recently completed preliminary update incorporating the feasibility cost estimate demonstrates up to 49% of the project cost (max allowed) could be cost advantageous. The work plan budget includes preparation of a 2021 WIFIA LOI which is underway. The Board's concurrence with the approach and authorization to sign the LOI is being sought with this action.

The WIFIA program provides federal government loans that can be competitive to other options and has the unique feature of being able to defer initiation of repayment up to 5 years after substantial completion of the project which better matches receiving benefits to paying debt service. The loan is to be repaid over a current maximum of 35 years (longer periods being considered in Congress). The loan amount can be up to 49% of the overall project cost. The interest rate will be tied to the U.S. Treasury rate at the time of execution of the loan agreement. Additionally, if we were to be approved for a WIFIA loan on multiple funding cycles the project can refinance previous WIFIA loans to lock in a lower interest rate. This is a competitive program where we will be competing against projects of different sizes from across the country.

There are specific requirements that can add cost over traditional debt issuances such as the requirement to use American Iron and Steel and Davis-Bacon provisions. The WIFIA program will also require a step-up provision as part of the loan agreement which is not expected to be executed until 2023.

We have held multiple meetings with the EPA reviewers to brief them on the project and to understand specifically what they will be looking for during the evaluation process.

Our proposed approach is to request approximately \$600 Million under this current application cycle and submit for an additional amount that would be determined later under next year's application cycle. Depending upon how future conversations go with the EPA there is also the possibility of submitting additional applications in further out years. The concern with applying for an amount in excess of what is proposed is that we will be scored lower due to the size of the request since a request of \$1Billion would be asking for nearly 25% of the EPA's total funding under the program for this year. Through numerous conversations with resources that have been successful on previous application cycles it was determined that a request more in-line with the largest requests EPA (\$600 - \$700 Million) has funded to date may be more prudent.

Submitting a LOI is not a commitment to take a loan. Submitting the LOI is the evaluation process if EPA will provide a loan for the project. Once evaluations are completed for LOI phase we will be notified if the EPA is willing to give the project a loan under the WIFIA program. At this point we will start working on terms and conditions with an estimated timeline of executing a loan agreement in 2023. This aligns with our current program schedule to go into bank financing in mid-2023.

Prior Action:

August 2020: Amendment 2 Work Plan approved, including activities to develop WIFIA Application.

June 2018: Approved the Chair to sign a letter of support to amend the Water Resource Development Act (WRDA) of 2018 in support of the Reclamation WIFIA, enabling the Sites Reservoir Project to be eligible for WIFIA funding.

Fiscal Impact/Funding Source:

None.

Staff Contact:

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Attachments:

None